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ABSTRACT

This report was designed to help policy makers and concerned citizens understand the context, culture, and history that set the stage for Oregon's efforts to reform state government, including those areas of government that affect education. This text offers a "snapshot" of what Oregon is doing to improve results, such as setting benchmarks to measure progress. The state is crafting a decision-making process that avoids program proliferation and micromanagement, trusting people to do it right. Oregon is also using tools such as training, waivers from federal laws, intergovernmental agreements, and budget accountability to make programs meet broad community and state goals. Although the picture presented in this report is promising, there are some pitfalls. For example, although benchmarks measure what is important, there are rarely neat cause-and-effect relationships in the complex human areas that so many of the benchmarks address. Moreover, the data needed to support the benchmarking process often are not available or are not comparable over time. The report also explores larger lessons learned from Oregon's many waivers from federal laws and explores implications for federal policies. (RJM)

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THE NEW OREGON TRAIL

ACCOUNTABILITY FOR RESULTS

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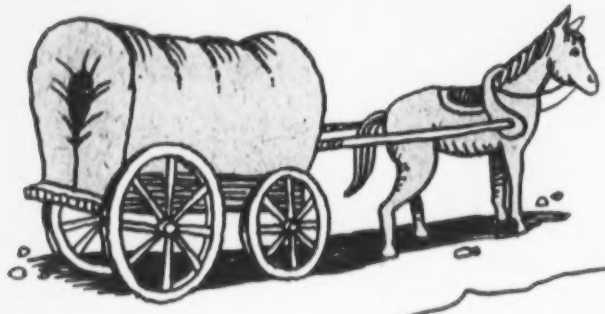

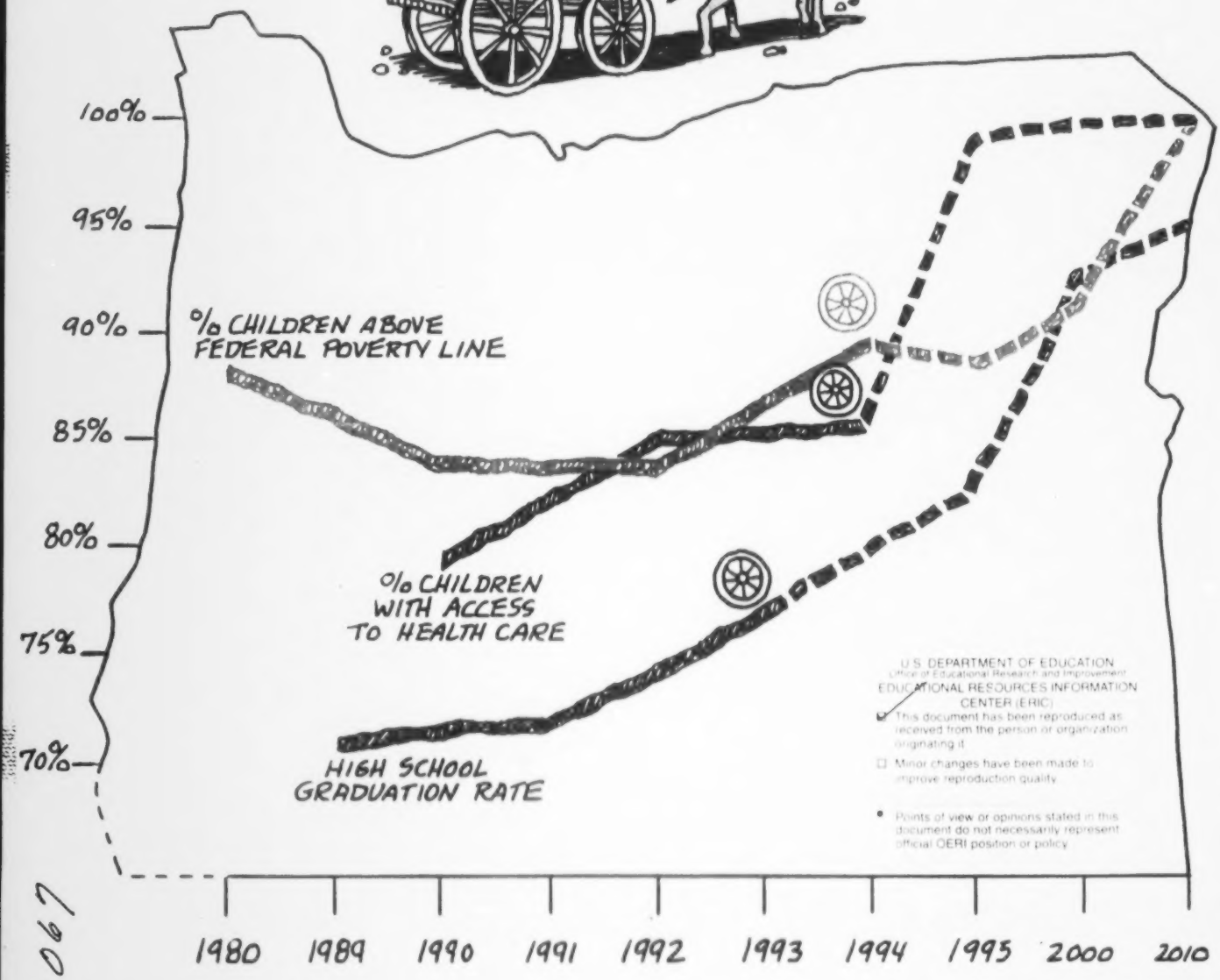

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THE NEW OREGON TRAIL

ACCOUNTABILITY FOR RESULTS

Special Report #7

The Policy Exchange
The Institute for Educational Leadership
1996

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who contributed their ideas, talent and energy to producing this publication.

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We are still learning, . . .
but we've got hold of something good. . . .
This is not so much reinventing government
as it is reinventing governance.

Randy Franke, Chair
Marion County Board of Commissioners
and
President, National Association of Counties

Looking for a New Frontier

The American public is displeased—often angry—with a government it sees as spending billions of dollars on paperwork and process, but not producing meaningful results. In response, the federal government is in the midst of a gigantic effort to return major responsibilities for services to the states, banking that states have the desire as well as the know-how to fashion effective solutions to problems so long addressed primarily at the federal level.

Will states be able to make government work better and cost less? Will federal flexibility on the "means" actually produce better "ends"? Will revamped accountability for spending public funds emphasize *results* that are meaningful to citizens rather than tidy but often useless analyses of *process*? Or will states simply duplicate old structures and continue to support narrow programs that resemble isolated stovepipes sticking up in the policy skyline?

In the midst of this policy making angst, the state of Oregon continues to move ahead on an ambitious experiment with results-driven government. The state of Oregon is doing what others have only tried on a local scale: it is taking its strategic planning seriously and putting budget teeth into meeting the state's long-term goals. Its efforts touch all aspects of what makes a state healthy—economic development, education, health care, the environment, social services, and community participation. Furthermore, Oregon has crafted a promising process to track progress—the Oregon benchmarks—that other states and governance reform efforts are already imitating.

Along with local partners, the state of Oregon has entered into an innovative agreement—known as the Oregon Option—with the federal government. This unprecedented arrangement gives the state more freedom from federal rules in return for better bottom-line results.

This report is a snapshot of what Oregon is doing, sharing information and insights gained during a 1995 IEL Policy Exchange site visit to Oregon. For four intense days, more than 20 senior staff from the Congress and the Clinton Administration met with state and local officials, spent hours with low-income families, toured programs with front-line agency workers, and talked with the governor. They got first-hand practice in setting goals and using benchmarks to measure progress. And they worked their way through Oregon's many waivers from federal laws, drawing larger lessons they could use to help shape policy back in Washington.

Site visit participants studied and discussed many of the initiatives that support the state's long-range agenda—the Oregon Health Care Plan, the Educational Act for the 21st Century, and the state and local Commissions on Children and Families.

However, Oregon's effort is much more complex than simply passing piecemeal legislation. It recognizes that services for people—whether health, education, employment and training, or social—do not come in a neat package with one return address. They come through systems and programs that are intertwined, some even say hopelessly tangled, from the local town hall to the halls of Congress.

Oregon is working to craft a *decision-making process* that seeks to avoid program proliferation and micro-management, trusting people to do it right. The state is using such tools as training, waivers from federal laws, intergovernmental agreements, and budget accountability to make programs work to meet broad community and state goals. Its most innovative tool—the benchmarking process—provides the base for a governance system that focuses on results.

Oregon is not the only place putting a greater emphasis on results or developing new relationships among the local, state, and federal levels of government. Its leadership would warn other states against cookie-cutter adoption of Oregon's approach. And its officials would never claim their efforts are perfect or finished. Yet, the state is on the cutting edge of results-driven government, trailblazing in the Oregon tradition.

Although the picture painted in this report is positive and promising, no system, including the results-driven benchmarking process, is perfect. For example, while benchmarks seek to measure what is important, there are rarely neat cause-and-effect relationships in the complex human areas that so many of the benchmarks address. Moreover, the data needed to support the benchmarking process often are not available or not comparable over time. And any system of accountability contains opportunities for "gaming the system," fraud, creaming and mediocre thinking.

As this report goes to press, the journey of Oregon towards accountability for results continues. There have been setbacks that could not have been anticipated and there have been important changes in federal as well as state laws. For example:

Since the 1995 Policy Exchange site visit, Congress has dramatically changed the federal welfare system—phasing out the 61-year-old Aid to Families with Dependent Children program and replacing it with the Temporary Assistance to Needy Children program that provides capped block grants to states.

In the November 1996 election, Oregon passed its second round of property tax limitations, squeezing local resources even as the call at the national level intensifies for more "devolution" of responsibility to states and localities.

The state legislature has modified the education reform law, the 1991 Educational Act for the 21st Century.

And many of the key players cited in this report now have new roles. For example: Duncan Wyse has moved from the Oregon Progress Board to the Oregon Business Council; and Connie Revell is director of the Oregon Option, a new position.

As these and other changes evolve, it is clear that Oregon will be a state to watch—a bellwether of change that can inform what other states do as well as national policy.

The New Oregon Trail is designed to help policy makers and concerned citizens alike understand the context, culture and history that set the stage for Oregon's efforts, from the benchmarks to the Oregon Option. This report:

Shares information and insights about why the ground is so fertile in Oregon for doing the business of government differently;

Examines "benchmarks" in the concrete as well as the abstract;

Explores larger lessons learned from Oregon's many waivers from federal laws;

Puts the Oregon Option in this larger context; and

Explores implications for federal policies.

The following pages describe the new Oregon trail—an experiment to make government accountable for results and to build productive partnerships with the federal government. While this new trail is sometimes difficult and not without imperfections, it does seem to be headed in the right direction.

By bringing Democrats and Republicans together to learn and solve problems, the IEL Policy Exchange promotes cross-cutting initiatives that foster effective and collaborative services for children, families and communities. By putting education experts side-by-side with housing experts (and health and welfare experts side-by-side with training experts), the Policy Exchange works to build personal networks as well as a substantive knowledge base for policy makers in order to help them envision and implement solutions that meet society's needs.

It is not easy to get people to change their mindsets, but we have come up with an innovative process that gets people excited about working together to solve problems.

Randy Franke, Chair
Marion County Board of Commissioners

WHY OREGON? WHY FUNDAMENTAL CHANGE?

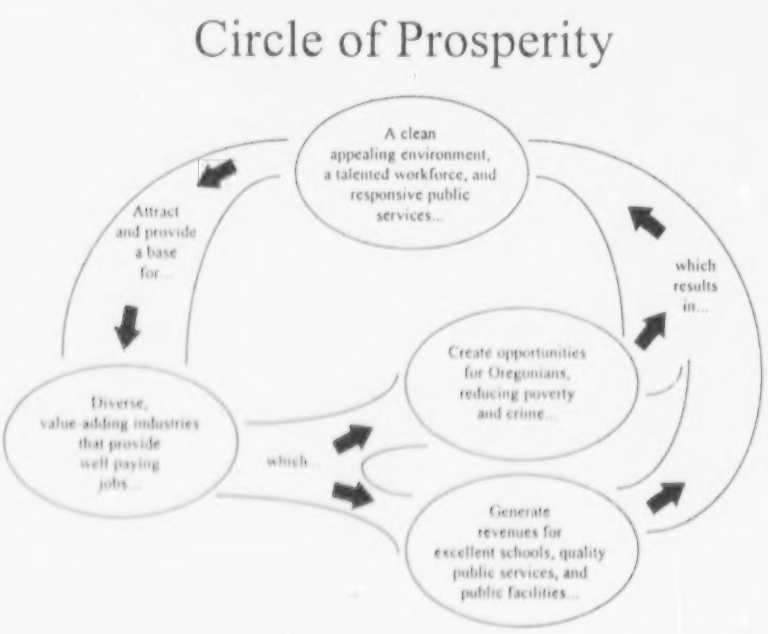
Oregon historically has been a state rich in human resources. Compared to other states, the high school graduation rate is high, its adult literacy level is high, and its population is healthy.

However, at the beginning of the 1980s, Oregon was in serious economic trouble. Many states were experiencing a recession, but for Oregonians, accustomed to a robust economy and positive outlooks based primarily on an abundance of natural resources, the recession would not be short-lived. As the base of the economy changed rapidly and unemployment climbed, Oregon sunk into its worst recession since the end of World War II. The loss of 25,000 jobs in the forest-products industry alone was wrenching for some communities, and it became obvious that Oregon needed to diversify its economy.

This crisis provided the impetus for dramatic change in the way the state did business. Tinkering with limited solutions would not assure a strong and diverse state economy. And simply cutting budgets would not make better futures for the people of Oregon.

Responding to the crisis, Democratic Governor Neil Goldschmidt charged a non-partisan group representing all stake holders and levels of governance in the state to analyze the problems and develop a state-wide, long-range strategic plan. This group's 1989 report, *Oregon Shines*, set long-range, ambitious goals for the development of the state's human and natural resources. It described a "circle of prosperity" for the state. This circle is to be created by diverse, value-adding industries providing well-paying jobs that create opportunities to reduce poverty and crime, and generate revenues for first-rate schools, public services, and public facilities. In turn, these result in a clean, appealing environment, a talented workforce, and responsive public services that would attract and provide a base for diverse industries that paid high wages.

While this circle is idealistic, it is also realistic about how the elements of prosperity reinforce one another.


Circle of Prosperity
A clean appealing environment, a talented workforce, and responsive public services...
which results in...
Create opportunities for Oregonians, reducing poverty and crime...
which...
Generate revenues for excellent schools, quality public services, and public facilities...
Diverse, value-adding industries that provide well paying jobs...
Attract and provide a base for...

The Spark for Change

The strategic plan hit a responsive chord with the state legislature and the public. The legislature quickly approved one of the major recommendations of the report—the creation of the Oregon Progress Board, a non-partisan intergovernmental body to implement the vision and recommendations outlined in *Oregon Shines*. Two years later, the Board published the *Oregon Benchmarks* which set forth "standards for measuring statewide progress and institutional performance."

The Oregon benchmarks are "the measurable indicators that Oregon uses at the state level to assess its own progress toward broad strategic goals. . . . Just as blood pressure, cholesterol levels . . . serve as signs of a patient's health, benchmarks serve as a sign of Oregon's social, economic and environmental well-being," says the Progress Board. It developed the benchmarks to measure the state's progress in moving toward the goals outlined in *Oregon Shines*. The benchmarks set interim and final targets to the year 2010.

In 1991 the legislature also passed a major bill that reinforced the state's commitment to workforce preparation. The Educational Act for the 21st Century is a statewide education reform that relates back to the skilled workforce targets of the Oregon benchmarks.

In its 1993 session, the legislature took another step to integrate the benchmarking approach into policies affecting children and families by creating the Oregon Commission on Children and Families and connecting its priorities to the *Oregon Benchmarks*. This Commission is a statewide organization, with county commissions patterned after it, that uses outcomes as described in the benchmarks to revamp child and family services and gradually transfer these services to the local level.

In 1993 the legislature also directed all state agencies to develop performance measures linked to the benchmarks. The 1993 and 1994 reports of the Progress Board updated and tracked the evolving use of the benchmarks by local agencies and groups, as well.

The strategic plan and benchmark reports could have easily gone the way of many policy plans—stored for future reference or used as the basis for conversations but not action. Although governors and other leaders have changed, the commitment to use hard-nosed measures ("benchmarks") to track progress towards long-range goals has not changed. Instead, the benchmarks became a core of policy making. Each subsequent governor, the legislature, the Progress Board, and the business community have continued to focus on the principles in *Oregon Shines* and to use the benchmarking process to measure success or failure.

For example, in 1992, despite the fact that *Oregon Shines* was a product of the previous administration, Governor Barbara Roberts offered tangible dollars-and-cents incentives for state agencies to reflect the benchmarks in their budgets. This step did much to make *Oregon Shines* and the *Oregon Benchmarks* more than the usual well-intentioned and politely ignored planning documents. Roberts' successor, John Kitzhaber, continues to strongly support results-driven government.

- Support for the Oregon benchmarks remains remarkably bipartisan. Three Democratic governors have championed the concept, as have their Republican challengers and such prominent Republicans as Senator Mark Hatfield and Randy Franke (a county commissioner in Marion County, Oregon, who recently served as president of the National Association of Counties).

In addition to leadership support, the detailed work needed to implement the benchmarks is being carried out by skilled civil servants. Oregon has a tradition of competent public administrators who apply management tools to government. They use strategic planning and draw upon resources that can supply them with research and data, such as the higher education institutions in the state. Portland State University's Partners for Human Investment project, for example, is an initiative that gathers data on programs in the Portland metropolitan area.

These developments did not take place solely in the state political realm, removed from local citizens. Oregon has a well-deserved reputation for strong citizen involvement, and the Progress Board encourages civic involvement through its "external watchdog role."

Although the Oregon Progress Board sits outside of the official government structure, the governor serves as chair. The fact that all levels of government, as well as business and civic leaders, are represented on the Board gives it great visibility as well as understated clout. For example, the Board joined with the Oregon Business Council to conduct 29 town hall meetings across the state in 1993. These meetings produced a list of core benchmarks—a small number of benchmarks particularly crucial to Oregon. Examples are the incidence of teen pregnancy, housing affordability, the adult literacy rate, and air and ground water quality.

Meanwhile, Oregon's benchmarking process was attracting national attention. Oregon received the prestigious Innovations in American Government Award from the Ford Foundation and the Kennedy School of Government at Harvard University. And the National Governors' Association singled out Oregon's efforts at results-driven government as exemplary, asking the state to prepare resources to help other states develop similar benchmarking processes.

The Oregon Option—Making Connections to the Federal Level

The idea of the Oregon Option first surfaced at a 1994 Denver meeting of the board of directors of the Alliance for Redesigning Government after top Oregon officials outlined the state's benchmarking process to an audience that included high-level federal officials. In short order, the concept of a new kind of federal-state-local partnership drew the attention of Vice President Gore's National Performance Review—a Clinton Administration initiative to reinvent government by putting customers first, cutting red tape, empowering employees to get results, and cutting back to basics. The National Performance Review became

the mechanism to convene and coordinate multiple federal agencies, as well as the Office of Management and Budget and White House staff, to make the concept of the Oregon Option a reality.

The recognition given the Oregon effort helped solidify the state's attempts to have serious conversations with federal officials about giving the state greater flexibility in federal programs in return for more accountability for results. Oregon had a vision in *Oregon Shines* and a system for measuring progress in its benchmarks. Now the state was proposing that it be judged on results, not just its ability to jump through federal hoops. Oregon, again, was attempting to blaze a new trail, this time by crafting a promising federal-state-local partnership to find mutual solutions.

This report provides the bare bones history of what has happened in Oregon since it started down the trail of results-driven government. The details follow, but it is important to understand the context for the changes taking place in Oregon, a context that is instructive for policy makers in other states and at the federal level. It includes:

A strong economic impetus to get moving;

Consistent, collaborative leadership shared by three consecutive governors, the legislature, the Oregon Progress Board and the business community;

Strong civic engagement;

Creatively using management tools—from strategic planning to research and data;

Sufficient resources to provide at least some maneuvering room;

Bi-partisan support and leadership; and

Establishing an external watchdog (the Oregon Progress Board).

Keys to Success
What Oregon Did *Not* Do

Produce a report and plan that went on a shelf.

Focus on programs rather than results.

Link the plan to one politician or one party's political agenda.

Try to solve all the problems at one level of government—federal, regional, state or local.

Waffle in its support of results-driven government from one administration to another.

BENCHMARKS: OREGON'S TOOL FOR ACCOUNTABILITY

The Oregon benchmarks are indicators the state uses to measure progress towards improving the well-being of its people and institutions. They are ambitious but also relate to real concerns and practical goals, such as the percentage of children living above the federal poverty line or the miles of streams and rivers not meeting water quality standards.

In many areas, the benchmarks widen visions. For example, one of the education benchmarks is the percentage of young people who are proficient in a second language, not an ordinary indicator of education achievement.

Examples of Benchmarks and Goals/Results

Benchmarks	*Goals/Results*
The percentage of children living above the poverty line. (This was 84% in 1990.)	The goals are 92% in 2000, and 100% in 2010.
The miles of assessed Oregon rivers and streams not meeting state and federal in-stream water quality standards. (This was 1,100 miles in 1990.)	The goal is to reduce this figure to no miles in 2010.
The real per capita income of Oregon residents as a percentage of the national real per capita income. (This was 92% in 1990.)	The goals are 100% in 2000 and 110% in 2010.

Benchmarks are a new way of looking at and evaluating progress. Traditionally, people look at "inputs." For example, an "input approach" asks: How many below-grade-level students attended remedial classes for eight hours per week? In contrast, a results-driven approach asks: How many students now read at their grade level? An "input approach" asks: How many women received nutrition counseling? In contrast, a results-driven approach asks: How many low-birthweight babies were born in a given year?

Oregon's strategy does not evaluate individual programs, but, instead, seeks to regularly answer the question: *"Are we getting results?"* These results are measured by specific indicators (or benchmarks) that were set through a public process and that use reliable data collected over time.

The benchmarks approach recognizes that many individual programs can contribute to achieving any given target or goal. However, when failures occur, the benchmarking process does not blame specific programs; it asks larger questions. Is the problem not enough money for a successful intervention? Do individual programs need to be better linked? Or are there ineffective parts of the system that need to be scrapped?

Measuring results rather than inputs encourages cooperation because no one program has the power to produce results—all of them must work together. If current efforts do not produce results, a community would not necessarily scrap everything and start over. Neither could it entirely blame one program for poor child nutrition, for example. Rather, those working with education, food and health services would need to collaborate and figure out how they *could* meet a benchmark target level. In the process, they might decide that a certain after-school snack program is not very effective and its resources could be better spent on giving pregnant women nutrition counseling.

The Progress Board's first benchmark report amassed historical data to establish a baseline for the process. Where possible to collect, the data extend back to 1980. And the targets extend forward to 2010, with interim targets every three years. "The purpose of the benchmarks is to guide us to a better future as a people, as a place, and as an economy," says the Progress Board.

After 1994 revisions that added some benchmarks and deleted others, the Oregon benchmarks were modified to include 259 indicators that embody the circle of prosperity vision outlined in *Oregon Shines* and described earlier in this report.

Oregonians have helped modify the benchmarks and make decisions about priorities among them. Through town meetings, public comment, and a statewide survey (the *Oregon Values and Beliefs* commissioned by the Oregon Business Council), citizens have let the Progress Board know which "urgent" benchmarks they believe need immediate attention. Failure to accomplish goals or results for these benchmarks as soon as possible "threatens our ability to achieve our overall vision for Oregon," according to the Progress Board. For example, if teen pregnancy rates—one of the urgent benchmarks—do not decrease, it will be much more difficult to meet the goals for school achievement, crime reduction, and reducing the welfare rolls.

Examples of Core Benchmarks and Goals/Results

Citizen's Skills and Well-Being

Benchmarks	*Goals/Results*
Percentage of children not living in poverty.	100% by 2010 (up from 84% in 1990).
Teen pregnancy rate.	8% in 2000 (down from 9.8% in 1995).
Number of children neglected or abused (per 1,000 children).	6 in 2000 (down from 9 in 1995).
Percentage of 11th grade students who have achieved established skill levels in reading, math and writing.	No target listed in 1995 report.
Percentage of high school graduates among the adult population.	94% in 2000 (up from 90% in 1995).
Percentage of adults (25 or older) with baccalaureate degrees.	27% in 2000 (up from 25% in 1995).
The adult literacy rate.	Rates depend on the type of literacy—prose literacy (understanding and analyzing text information), document literacy (understanding and using graphs, texts, maps, etc.) or quantitative literacy (understanding and applying math).

Environment/Quality of Life

Benchmarks	*Goals/Results*
Rates of crime against persons and property; rates of behavioral crime.	In 2000, 12 crimes against persons per 1000 Oregonians, 60 crimes against property per 1000 Oregonians, 35 behavioral crimes per 1000 Oregonians (down from 15, 70 and 42 in 1995 respectively).
Percentage of Oregonians below the median income who spend less than 30% of their income on housing.	68% in 2000 (up from 60% in 1995).
Percentage of Oregonians living where the air meets government ambient quality standards.	100% in 2000 (remaining at the 1995 level of 100%).
Percentage of forest land in 1970 still preserved for forest use.	91% in 2000 (remaining at the 1995 level of 91%).
Economy	
Personal income as a percentage of U.S. personal income.	100% in 2000 (up from 95% in 1995).
Income per capita among minority groups as a percentage of the Oregon overall per capita income.	100% for each group in 2010 (up from 52% to 80% in 1990, depending on the minority group).
Percentage of Oregonians employed outside the Willamette Valley and Portland tri-county area.	26% in 2000 (remaining at the 1995 level of 26%).

More than statistical statements, Oregon's benchmarks and goals articulate a vision of well-being for people, their environment and their institutions that Oregonians can understand and work gradually to attain. They fit with the state's lively tradition of civic involvement, a tradition that surprised Beverly Stein when she first arrived in Oregon in the mid-1970s. "It is sometimes annoying and cumbersome," she says now from the perspective as Chair of the Board of Commissioners of Oregon's most populous county, Multnomah, "but it also is a very open

process." The benchmarks "serve as a magnet for collaboration. . . . They get people excited about working together on problems."

Crime Control: Benchmarks at Work

As he spoke with IEL Policy Exchange site visit participants, Governor John Kitzhaber stressed his belief in the benchmarks' emphasis on prevention, using that principle to shape his policies toward crime, especially juvenile violence. The public puts crime control on the "urgent" benchmarks list, and voters want $1 billion more spent on prisons by the state.

Kitzhaber, however, believes that preventing crime is as important as preventing health problems and that local communities have a better handle than state government on the strategies and resources they need to stop criminal behavior before it begins. Also, he said, communities "have a much better idea of the range of sanctions they want." Therefore, to fulfill voter sentiment for prison expansion, the governor wants the state to maintain prison facilities for the most violent criminals, with counties responsible for those who receive sentences of 12 months or less. Regional safety planning bodies would develop comprehensive prevention plans, using the benchmarks (e.g., crimes against persons and against property per 1,000 residents, behavioral crime such as gambling or prostitution per 1,000 residents, and the incidence of juvenile arrests).

[In February 1996 a special session of the legislature, called by the governor, passed the Community Corrections Partnership, which enacted criminal justice reforms.]

Kitzhaber, a physician who was the architect of Oregon's sweeping health care reform plan when he was in the state legislature, contends that different levels of government can be encouraged to work together "by putting everyone on the line."

If the state reneges on funding, counties can give the programs back to the state. "Counties can't opt out unless we don't provide the money," he explains. The formula accounts for downturns and upturns in the economy, and it includes a reward system for excellent results.

Marion County Commissioner Randy Franke says the results-driven process has helped the public focus on the crime problem, even by just allowing the public to say it did not like the present system. This proposed crime legislation "forces people to come to the table and say

how they can work together better, rather than lock up more people for a longer time at a greater cost."

Governor Kitzhaber also proposed a budget aimed at blurring some of the divisions among safety, education, and human resources to focus state policies on the prevention aspect of the benchmarks. "We want to change from crisis management to an investment strategy," he says, "and that will require making budget allocations across budget areas."

Data-Driven Decisions

The benchmarks depend on data.

For the first benchmark report, the data were collected primarily from already existing sources, according to the Progress Board's Executive Director Duncan Wyse. Believing education would be the most fruitful area for sound data, the benchmark process initially focused on it, but, says Wyse, "we discovered we have no real data on education quality."

Oregon was one of the first states to commission a study of adult literacy (followed by Mississippi and then a national survey), and the results were so disturbing that "we got people's attention," Wyse says. It showed, for example, that young adults' skills fell far short of the skills employers needed. This told Wyse that "we are not positioned in Oregon or as a country to compete in the next century." Still, a national adult literacy survey put Oregon's literacy level as the highest in the country.

The Progress Board received help from the Annie E. Casey Foundation to collect data on young children, including measures of motor and cognitive development. Although the effort was criticized for attempting to evaluate young children, "we kept sending the message that we were measuring the *supports* for children and their effects, not individual kids," Wyse says.

Informed of the results—children today were developmentally behind children of 15 years ago—the public, through meetings and surveys, said it wanted investment in young children to be added to the "urgent list" of benchmarks.

Kids Count provided data needed to leverage action, Wyse contends. The Progress Board presented the data on child development at one of its regular "big picture" briefings for the legislature, helping to gain

approval of a proposal for a statewide Commission on Children and Families as well as support for data needed for benchmarking.

[Kids Count is an initiative of the Annie E. Casey Foundation that compiles and publishes data about the well-being of children in the 50 states and the District of Columbia.]

Data gaps, however, continue to be a major problem for the benchmarks process. The Progress Board emphasizes measuring results rather than collecting more readily available data, such as how much is spent on a program. Some input measures are among the benchmarks—e.g., levels of early childhood immunization. But for the most part the benchmarks require more data on results.

According to the 1995 *Oregon Benchmarks* report to the legislature, the Progress Board's standards for gathering data are very high. It wants data that allow comparisons of Oregon to other states and countries, are reliable over time, and can be gathered periodically.

According to Governor Kitzhaber, Oregon depends on federal data in many instances, such as gross measurements of the number of people eligible for the Aid to Families with Dependent Children program. "We would be hard put to make some of our decisions without that data," he says.

Still, Oregon's work with results-oriented measurements requires more data-gathering capacity than any single agency or level of government can deliver. For example, says Kitzhaber, "we don't have the tools to make cross-budget comparisons, such as deciding to put $1 million of prevention money into Head Start rather than into non-surgical treatment of back pain."

For Barbara Clark, a Portland city auditor, the benchmark data, while useful for grading elected officials, are hard to collect. The biggest problem with the benchmarks, she says, "is to figure out what are the consistent types of statistics to use that cannot be manipulated by the bureaucracy."

Benchmarks, But . . .

In addition to a greater capacity for data-gathering, other challenges are emerging as Oregon officials continue to use the benchmark process, including:

Public understanding of the benchmarks. While benchmarks are part of the policy vocabulary in Portland or Salem (the state capital), "you go to Rogue River Valley and no one is talking about them," commented one panelist during the Policy Exchange site visit. Oregon has two cultures, the urbanized western area from the Washington State border to Salem, and the rural eastern part of the state. This division does not rule out the results-oriented governance structure in rural areas, however. Peggi Timm from Baker City, which has only 10,000 residents, told of the creation of her local Progress Board that set out a vision, developed a plan, and is seeing results. "The benchmarks are the reason we could do it," she said. Timm now heads the state Volunteer Program in the Oregon Department of Human Resources and is helping set up local Progress Boards across the state.

Reaching a cross-section of opinions. Progress Board Executive Director Duncan Wyse acknowledges that most of the people who attend town meetings or who become involved in such projects as local Commissions for Children and Families tend to be those who are highly educated and highly motivated. More work needs to be done to reach a broader range of Oregonians.

Persuading local agencies to buy into collaboration. "Everyone may collaborate on paper, but that may not be true in practice," according to Diane Walton, Executive Director of the state Commission on Children and Families. "Building trust in some communities is very difficult, but the key to building it is for everyone to understand that it is in their own self-interest to get together, that benefits accrue to everyone through collaboration." Governor Kitzhaber's approach is more direct. "I'm trying to be very clear about what I expect of department heads," he says. "I also give line workers some ownership in the process, but ultimately I must have the ability to unload people who won't play ball."

More Than a Toe-Hold

Despite the challenges they present, the benchmarks' emphasis on innovation and accountability for results has persuaded both non-government and government entities to buy into them. Moreover, the Oregon benchmarking process has been able to transcend barriers that might have done it in, such as partisanship and budget cuts.

Gradually, local, city and county governments in Oregon are adopting the process and integrating benchmarks into their planning. The Oregon Community Foundation is using the benchmarks for its grant making priorities. And major industries in the 12 economic regions in the state refer to them for planning.

Looking at the impact of *Oregon Shines* and the benchmarks across the state, Matthew Prophet, former Portland Superintendent of Schools and an original member of the Oregon Progress Board, says:

> We said early on that we needed to form collaborations, that if we were going to reform government in this state, there had to be a consistent strand, a pervasive commitment to the benchmarks. This is not a Democratic or a Republican thing.

The Progress Board itself has "zero" power, Wyse is quick to point out. "We only produce reports. Our success is totally dependent upon getting people to use the results-focused system."

Despite this modest declaration, the Progress Board has been politically astute and used its influence strategically. It weds old-fashioned grassroots involvement with new technologies, such as providing public meetings with instant, computerized feedback on opinions about issues raised during discussions of the benchmarks. It puts together different public and non-public funding sources to support the surveys and other activities needed to keep the benchmark process going.

The Progress Board supports policy makers working on very difficult areas. Three of these—education, health care, and child services—were explored in detail during the Policy Exchange site visit.

The Oregon Benchmarks in Action

A close look at how the benchmarking process actually works in three important areas—education, health care and child services—illustrates both the promise and difficulties of performance measurement and benchmarking.

Education

Oregon initially centered its benchmark effort on education, believing it to be the most important entry point into the circle of prosperity. The state's adult literacy survey fed into this effort. So did the leadership of Vera Katz, now mayor of Portland but for many years education committee chair in the Oregon House of Representatives. She helped shape the 1991 Educational Act for the 21st Century, the first state reform in the country to adopt a performance-based statewide assessment system.

Under this revamped system, Oregon school students must achieve (preferably by grade 10) a **Certificate of Initial Mastery (CIM)** that certifies they can apply knowledge learned in several academic and aesthetic areas. The next step, a **Certificate of Advanced Mastery (CAM)**, shows that students can apply academic learning at higher levels, including work outside of the classroom before graduating.

> A **Certificate of Initial Mastery (CIM)** can be earned by Oregon high school students based on tests of basic knowledge as well as assessments of their ability to apply knowledge. This certificate is aimed at certifying that students have demonstrated knowledge and skills in eleven defined areas, such as math, science, reading and art. Each high school determines the specific way it will acknowledge attainment of the CIM and CAM.

A **Certificate of Advanced Mastery (CAM)** represents advanced work and applied learning beyond the Certificate of Initial Mastery. The goal is for students to earn the CIM by 10th grade and to earn the CAM for high school graduation.

The concept of measuring performance to determine if students have acquired and can use knowledge was ahead of public opinion in Oregon in some respects. The 1995 legislative session revised the Educational Act for the 21st Century, keeping the Certificate of Initial Mastery but requiring more traditional testing in specific subjects. It also revised the Certificate of Advanced Mastery to include mastery of more advanced learning and less of an emphasis on performance assessments.

21st Century Schools Councils have been established in all schools as site-based decision-making bodies to direct reforms within the school. The Councils are charged with training teachers, improving the school's instructional program, and developing and coordinating school improvement. The Councils include education professionals, parents, business people, and community members, but neither teachers nor parents may constitute a majority of members.

The education reform legislation allows the state to excuse schools from specific state rules. Based on long-range plans, a school could, for example, ask the state for permission to use non-graded programs or change the number of hours teachers actually spend teaching certain subjects. A school or school district could ask for permission to integrate health and social services at the school site or use new instructional methods. A school district could also receive permission from the state to develop a "public school choice plan" that would allow parents to choose their child's school even if it were in another school district.

"We gave maximum flexibility," says Joanne Flint, Assistant Superintendent in the state education department's Office of Curriculum Instruction and Field Services. "We consider waiving anything a school district or school believes is in the way of reform."

Flint notes that just having a list of possibilities "encouraged people to think out of their box," and soon they realized that they did not need as much relief through waivers as they thought: "They charged off when they felt free, and we saw an incredible amount of restructuring," changes that schools and school districts realized they could undertake without asking for waivers from state rules.

The education reform measure emerged almost simultaneously with the activities generated by *Oregon Shines*. Both emphasize developing a highly skilled workforce, prepared for the more sophisticated and technology-oriented workplace of the future. However, the data available to track progress in education, as in other sectors, did not meet the standards set by the Oregon Progress Board. As the list below illustrates, the benchmarks developed for education include but go beyond traditional student achievement indicators. Although not discussed in detail in this report, the benchmarks also apply the results-oriented approach to evaluating post-secondary education.

Sample Benchmarks for Education

Academic Achievement

Percentages of 3rd, 5th, 8th and 11th graders achieving established skill levels in reading, math and writing.

Percentage of students who attain a Certificate of Initial Mastery.

Percentage of high school graduates proficient in at least one language other than English.

National and International Comparative Performance

Ranking on national math assessments at 4th, 8th, and 12th grades.

Ranking on national assessments for economically disadvantaged urban schools.

Ranking on international science assessments.

Post-secondary Educational Performance

Percentage of baccalaureate graduates who achieve established skill levels.

Percentage of baccalaureate graduates who are proficient in a language other than English.

Percentage of graduates of public two-year institutions taking professional licensing examinations.

Percentage of baccalaureate and post-baccalaureate graduates of Oregon institutions taking professional licensing exams who meet established skill standards.

Social Harmony in K-12 Schools

Percentage of schools that have culturally diverse curricula and conflict resolution curricula.

Health

The benchmarks brought leaders on health policy—from both the public and private sectors—together. As Jeff Davis, administrator of the Marion County Health Department, put it: "The most significant challenge of the benchmark process for county governments and the health sector is that we are shifting from being providers to being collaborators."

Since 1987, stakeholders from many areas, including health care providers, consumers, business people, labor representatives, insurers, and lawmakers, have been blazing a trail through laws, regulations and needs in order to get good health care to all citizens through a cost-efficient system. Accustomed to talking with each other, these sectors have been able to use the benchmarks as "explicit goals," according to Mark Gibson, health care policy advisor to the governor.

State-level policy making builds on the benchmarks. When going through the state budget process, Gibson said, "we look at a proposed change in Medicaid, for example, and ask: 'Will this contribute to meeting the benchmarks?'"

Another example of collaboration around the benchmarks is the priority selected by the CEOs of Oregon's major hospital systems and leaders from the public health care system. When they sat down together to talk about how everyone could get more involved in community health, they selected a few priority health benchmarks to focus on, especially childhood immunization, according to Connie Revell of the Health Division of the Oregon Department of Human Resources. Instead of discussing many issues in this initial conversation, the group had a concrete focus. "If you can come together at the right time with the benchmarks, you can get things going right away," Revell observes.

At the time, Oregon *thought* it was doing a good job of ensuring that young children were properly immunized, but the benchmark data provided a shock. In 1992 only 47 percent of two-year-olds were adequately immunized. That fact galvanized the CEOs at the meeting to take action. Now, "there are 60 groups across the state working on improving the immunization rate," Revell says.

Between 1992 and 1994, the percentage of two-year-olds who were adequately immunized rose 6 percent to 53 percent; the goal is 100 percent by the year 2000.

The childhood immunization benchmark is clear, explicit and more easily measured than some other benchmarks in the health area. The public can readily understand immunization as an indicator of the well-being of children. It is a frequently used benchmark by county-level Commissions on Children and Families because of their responsibility to adopt a "wellness model" that emphasizes prevention and early childhood development. (See the next section for details.)

Sample Adult Health Benchmarks

Health Practices: Percentages of adults who use vehicle safety restraints consistently, have normal blood pressure, maintain a recommended weight-to-height ratio, exercise aerobically for 20 minutes at least three times a week, and do not currently smoke tobacco.

Communicable Diseases: Annual percentage of HIV cases with an early diagnosis, sexually transmitted disease rate, incidence of tuberculosis per 100,000 people, and incidence of hepatitis B per 100,000 people.

Premature Mortality: Percentage of Oregonians who abuse drugs, substance-use death rates per 100,000 people annually, percentage of deaths related to tobacco use, deaths due to unintentional injuries per 100,000 people, suicide rate per 100,000 annually, and deaths due to AIDS annually.

Child Services

The Oregon benchmarks have given structure to reforming child services, mired for years in well-meaning but ineffective efforts. Oregon officials had commissioned study after study, long on describing problems and short on actually improving the lives of children.

Finally, in 1993, then-Speaker of the Oregon House of Representatives Larry Campbell, a Republican, appointed a task force to pull together the findings from ten years' worth of studies, interview the authors of the studies, and recommend a legislative action plan. The result, after much legislative angst and negotiation, was the creation of the Commission on Children and Families.

Using the concept of results-driven government, the overarching goal of the Commission is to solve problems of children and families before they become crises. The new system, says the legislation, will emphasize prevention and early childhood development and promote the wellness of Oregon's children and families. The legislation creates local or regional commissions to phase in the shift of services from the state to local levels over seven years. The local commissions must have a lay citizen majority and be chaired by a lay person.

The benchmarks, says Diane Walton, Executive Director of the state Commission on Children and Families, are critical to the work of local commissions because the commissions "are exercising their authority around a focus on where they want to go." Benchmarks covering, for

example, the percentage of low-birth-weight babies, the percentage of children entering school ready to learn and the number of teen-age pregnancies, all specifically related to the work of the commissions.

Sample Benchmarks on the Well-Being for Children and Families

Stable Home Life

Pregnancy rate per 1,000 females ages 10-17.
Percentage of children (ages 0-17) living above 100% of the federal poverty level.
Abuse of persons under age 18.
Percentage of students (grades 9-12) who have been sexually or physically abused at some time in their lives.
Reported incidence of spousal abuse per 100,000.
Percentage of children born outside of marriage who have legal paternity established in a given year.
Percentage of court ordered child support paid to single parent families.

Healthy Babies and Toddlers

Percentage of babies whose mothers received adequate prenatal care, of healthy birth weight babies, and of infants whose mothers did not use drugs, alcohol, or tobacco during pregnancy.
Rate per 1,000 of childbearing women who test positive for HIV at birth.
Infant mortality rate per 1,000.
Percentage of two-year-olds who are adequately immunized.

Early Childhood Development

Percentage of children that kindergarten teachers believe are prepared to participate successfully in school.
Percentage of children entering kindergarten meeting specific developmental standards for their age.
Percentage of children with disabilities or at risk of disability who are identified prior to entering kindergarten.

Some local commissions have added other benchmarks. In Clackamas County (a suburban county south of Portland), for example, the commission identified two additional benchmarks—neighborhood involvement and business involvement—because it decided "isolation of policies for children and families can be significant," according to Lennie Bjornsen, director of the county's commission.

The benchmarks can also change attitudes about accountability, Bjornsen points out. The traditional standards for evaluating programs—such as monthly records of inputs—are no longer sufficient. For example: "If the commission buys 200 hours of counseling for families, it wants to

know what changes occurred with the families, not who counted what hours."

Conversations about these kinds of measures and decisions based on them, including changing health care providers immediately, are now occurring frequently, Bjornsen adds, "with up to 60 folks at any given time working on issues and driving the agenda." Bjornsen insists he is only an advisor to the lay-dominated commission. Moreover, neither the state nor local commissions are creating new bricks. His commissioners "are in control," serving as the "mortar" to build a system of good schools, good health services, and affordable housing, as well as a strong economy and viable community institutions, such as churches.

The benchmarks encourage greater accountability, according to Representative John Meek, chair of the Oregon House Standing Committee on Children and Families, because "local community people ask questions." In contrast, "local bureaucrats prefer to deal with the bureaucracy in Salem. They don't ask questions."

Clackamas County has used benchmarks to drive budget and program decisions. Their Commission on Children and Families has adopted eleven benchmarks to guide its work, building on community input through citizen committees and task forces. They have organized these benchmarks into a pyramid to show elected officials and the public the relationships among such issues as teenage pregnancy, child abuse, child care and drug use. At the top of the pyramid are decreasing juvenile crime and increasing the percentage of high school graduates, the overall goals of the Commission. The percentages in the chart below represent budget allocations.

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Tillamook County Ties Things Together

Tillamook County, a rural community southwest of Portland, has more cows than people. Here, the Commission on Children and Families' use of benchmarks has brought unprecedented collaboration. Sue Cameron, a county and state commission member and director of the Tillamook County Health Department, saw immediate results in her professional area. "Turf problems popped up everywhere you turned around," she recalls, "but the benchmarks made systems operate collaboratively."

For example, the community nurse program had been separate and isolated from other services in the county, but funds for that program and for outreach at the hospital were pooled, "and now the nurses feel part of a larger effort." This came about because the county commission started its work by deciding the outcomes it wanted to achieve and identifying specific benchmarks to measure progress towards these outcomes. Instead of investing more (or less) in certain programs, it first looked at alternatives to current practice that would help the county reach its goal of preventing health problems in young children. Before the benchmarking era, the county would have probably tried to solve the problem by adding another program to the current structure.

Similarly, Tillamook's Healthy Start program is designed to address at least five key benchmarks, according to Cameron. The Healthy Start Family Support Services consists of four pilot programs in Oregon to reach state benchmark targets by: doing risk assessment of newborns and their families; providing such support services as primary care, home visits, referral and coordination of services; and creating a data system to collect information about families.

Because of the results-oriented emphasis in the benchmark process, the commission charged those providing Healthy Start services for children with collaborating and providing coordinated services to meet the individual needs of families rather than the more usual approach of having different agencies deal piecemeal with different problems. This family management approach allows professional caseworkers to target needed services, such as child care or respite care, so parents can seek employment. Of the first 44 families served through Healthy Start's case management system, one-half had teenage mothers, 75 percent were unmarried, and all were families that were vulnerable to such high-risk problems as child abuse, child neglect and further pregnancies. After a year in Healthy Start, there were only three reported cases of child abuse, 100 percent of the children were immunized, and unintended second pregnancies had been reduced.

Waivers and Friends: New Partnerships for Accountability

Oregon has been very successful in obtaining waivers from federal rules. The state's promise to be accountable for results, especially in the areas of health and welfare, has helped officials gain the flexibility to carry out reforms. Also, the fact that, until 1996, Oregon Senators chaired the two most powerful committees (Finance and Appropriations) in the U.S. Senate did not impede the state's ability to find ways to make federal provisions flexible.

How far could requests for waivers from federal rules take the changes Oregon wanted to make? Does the benchmarking process suggest that permanent changes in federal laws or regulations should be made? How could Oregon's experience with waivers inform federal policy?

To answer these questions, the state has cultivated ever more flexible and systemic partnerships with the federal level, starting with a slew of waivers and continuing with the Oregon Option described in the next chapter. But first, it is useful to understand the state's impressive track record in getting waivers from federal rules.

The Oregon Health Care Plan

David Strough, who describes himself as "chronically poor," is now making a living as a sculptor but was formerly a frustrated shopper for medical services, using them only for emergencies and always seeking the cheapest alternative. In the past, Strough had pulled his own abscessed tooth and stitched up his injured hand himself. Now he is a member of the advisory committee for CareOregon, one of the providers under the **Oregon Health Care Plan**, at the Southeast Health Center in Multnomah County, which includes the city of Portland. He gets "consistently good health services" because **Medicaid** coverage in Oregon

has been extended, with help from a federal waiver, to provide people just above the federal poverty level and others who were previously ineligible for help with a guaranteed set of health benefits.

The **Oregon Health Care Plan** allows low-income people to receive medical care through primary care providers that follow the state's prioritized list of services. Implementation of this plan required a waiver of federal Medicaid rules by the Health Care Financing Administration (HCFA) of the U.S. Department of Health and Human Services.

Medicaid is a federal-state matching entitlement program that provides medical assistance for low-income persons who are aged, blind, disabled or members of families with dependent children as well as for low-income pregnant women and children.

Oregon, under Governor John Kitzhaber's leadership before he became governor, developed a process for defining a "basic" level of care available to all citizens. This meant developing priorities according to the public health benefits accrued. Immunization, for example, is a high priority, Governor Kitzhaber says, "but a second liver transplant for someone with sclerosis of the liver is not."

Under a five-year Medicaid demonstration waiver, Oregon has added 120,000 low-income people, people previously not eligible for coverage, to its health plan. In March 1993 the U.S. Department of Health and Human Services granted Oregon a waiver to allow the Oregon Health Care Plan to expand Medicaid in two unique ways: it makes Medicaid available to most people living in poverty regardless of their age, disability or family status; and Medicaid benefits are based on a prioritized list of health-care conditions and treatments tilted toward prevention. Expanding health care to all Oregonians is being financed by controlling total costs through the prioritized list. A state Health Care Commission sets overall policy.

At the Southeast Health Center the Medicaid demonstration waiver means that the 18 federal sources that fund primary care for low-income people, such as David Strough, can be better coordinated for each client. For Strough, it means that, instead of endless paperwork and visits to determine eligibility—and perhaps eventual denial because his income is just above the federal poverty line—he can enroll easily and almost immediately and be assured of receiving basic health care.

This flexibility enables health care providers to design systems that more logically meet the needs of their clients. For example, according to Sharon Black, primary care clinics director of CareOregon, the federally funded Special Supplemental Food Program for Women, Infants, and Children (WIC) nutrition program mandates nutrition counseling. But many clients skip these potentially important sessions because they require an extra visit to the clinic. So, the health center plans to coordinate a nutrition counseling visit with an immunization visit for a child. "It's all about the same baby," says Black. Before the waiver, the paperwork and delays to get permission to make such a change would have been more effort than busy administrators could realistically muster.

Education and Training

The 1991 education reforms passed by Oregon's state legislature were out of sync with some rules governing federally funded education programs. Yet, when the state adopted these new strategies and goals, the U.S. Department of Education could not legally waive federal rules for a state or school district. (That has since changed. New laws now let the federal government "waive" these education rules in many instances.) State Superintendent Norma Paulus realized as soon as she took office "that we could make much better use of federal dollars if we could get flexibility in using them."

In short order, state officials had conversations with Senator Mark Hatfield of Oregon and his staff. As a result, the Senator sponsored the Education Flexibility Partnership Demonstration Act (known as **Ed-Flex**) as part of the Goals 2000: Educate America Act, which became law in 1994.

> **Ed-Flex** is a federal demonstration program in the Goals 2000: Educate America Act (P.L. 103-227), which became law in March 1994. Ed-Flex allows the U.S. Department of Education to grant six state education agencies the authority to waive statutory and regulatory requirements of major federal education programs, including parts of the Elementary and Secondary Education Act and the Carl D. Perkins Vocational Education Act, which provides substantial federal funding for vocational educational programs. The number of Ed-Flex states was expanded to 12 by the 1996 federal appropriations bill.

In February 1995 Oregon became the first Ed-Flex state. In effect, the U.S. Secretary of Education delegated his authority to grant waivers

from many federal education requirements to the state, after receiving and approving a state plan outlining how this increased flexibility would meet the broad educational goals of both the state and the federal education laws being waived. While its impact was too new to be evaluated during the IEL Policy Exchange site visit, state officials said that Ed-Flex would help address such issues as:

Oregon's unusual configuration for education governance. Oregon is a K-14 (rather than a K-12) system, with the state department of education also including the Office of Community Colleges. Under the federal Carl D. Perkins Vocational Education Act, funds can go to regional consortia, but Oregon officials lament that their federal counterparts say that community colleges are not regional institutions, and thus not eligible to receive these Perkins Act funds.

A school district's wish to use funding from the federal Eisenhower Mathematics and Science Education program for professional development in other curricular areas. Because the district was located in a community with many high-tech industries, it wished to use these funds for professional development in areas other than math and science.

A rural elementary school's need to use its bilingual teacher resources in a more flexible way. The school wants to pool federal funds so that the teachers, now assigned to serve only migrant children, could work with all children in a modified bilingual education program, using parent volunteers in a reading program, pre-school staff, and the total teaching staff to improve classroom instruction for bilingual students. The trade-off, according to Oregon staff, is better results for bilingual students in exchange for allowing the school to target funds where it believes the needs are greatest.

A preliminary analysis by U.S. Department of Education officials of regulatory barriers to Oregon's reaching its benchmarks for workforce development identified several ways that federal waivers could help. For example, waivers could enable the school system to coordinate the current hodge-podge of federal planning cycles, where each program may have different deadlines, different funding calendars that make it difficult to coordinate and plan, and different reporting requirements (most of which focus on inputs and process, not results).

Since the 1995 Policy Exchange site visit, the desires of Oregon officials for more flexibility in the workforce area have been at least partially fulfilled. For example, Oregon is eligible to participate in a "Work-Flex"

demonstration program (similar to the Ed-Flex program but covering training rather than education) that was enacted in 1996. And other new federal provisions allow states to seek waivers of federal Job Training Partnership Act statutory as well as regulatory rules. And the fiscal 1997 funding bill contains a special provision to enable Oregon to move ahead with its efforts through the Oregon Option (described below).

Welfare Reform

When the Policy Exchange visited Oregon in 1995, the state was seeking further federal flexibility to transform its welfare program into an employment and training program. Over the next two years, the state's targets were to reduce the **AFDC (Aid to Families with Dependent Children)** caseload from 40,000 to 33,000 through self-sufficiency efforts and to reduce the percentage of children in poverty from 11 percent to 9 percent.

> **Aid to Families with Dependent Children (AFDC)** is a federal program providing cash payments to needy children (and their caretakers) who lack support because one parent is dead, disabled, continually absent from home, or unemployed. In 1996, the Temporary Assistance to Needy Families (TANF) program became law, replacing the AFDC program. TANF contains many new provisions, including allowing all states greater flexibility to design their welfare programs.

By the year 2000 the state wanted its AFDC caseload to be reduced to 20,000, the percentage of children living in poverty to be no more than eight percent, and the first-time demand for public assistance from young adults to decline (instead of increase, as is happening in most communities and states).

During the 1995 Policy Exchange site visit, Oregon officials outlined an ambitious plan to accomplish these goals. People receiving public assistance would need to take steps leading to employment and self-sufficiency. Employers would help design solutions that lead to job creation, absent parents would be responsible for their children, and the JOBS caseload would rise from 30 to 70 percent of AFDC recipients.

Oregon's **JOBS Plus** program is a five-year experiment made possible by a waiver from the U.S. Department of Health and Human Services. The goal of JOBS Plus is to show that turning welfare into a job assistance program will work. In this demonstration program, Oregon uses federal funds normally given for **Food Stamps** and AFDC payments to

reimburse employers who pay JOBS Plus participants at least the minimum wage. Participants also receive further education and/or training and child care support, organized by case managers.

JOBS Plus is Oregon's Job Opportunities and Basic Skills (JOBS) program that has received a federal waiver to enable it to emphasize job training, placement, and business cooperation in providing jobs.

Food Stamps is a federal program providing a monthly supplement in the form of coupons to help low-income individuals and families buy food.

This effort has shown promising results, reducing the AFDC caseload by 12 percent between March 1994 and 1995.

During the 1995 IEL Policy Exchange site visit, state welfare officials argued that they needed additional waivers from federal rules in order to redirect "saved" federal funds (because state reforms reduced the welfare caseload) to pay for even more intense efforts to place remaining welfare recipients in viable jobs. Under the AFDC system, state funding is directly tied to the number of recipients, according to Oregon officials, a perverse *disincentive* to reduce the caseload.

The state is punished for success, according to Stephen Minnich, a top Oregon welfare administrator. Because Oregon gets money from the federal government for every person who receives welfare, the state loses federal money when it gets people off welfare. As Minnich sees it, the federal system punishes states that do a good job and gives more money to states that fail to help people become economically self-sufficient. Moreover, he pointed out, welfare itself is a disincentive to recipients. "We need to reward behavior that gets results."

In addition to changes in AFDC and the Food Stamp program, Oregon wants to encourage the development of "caring communities" in which all sorts of services and resources are integrated, requiring that federal and state education, training and family support programs be coordinated—perhaps even consolidated. Oregon officials voiced a common complaint: that the fractured nature of the current set of programs inhibits honest efforts by state and local governments to provide a sensible and comprehensive set of services that meet the needs of individual families. Oregon has proposed that community and business leaders develop comprehensive plans for changes in private, non-profit, and public services in order to achieve "critical benchmarks for children and families." These plans, as described by Oregon's

Reinventing Welfare Work Group, "should involve a comprehensive restructuring of the manner in which schools, churches, social services, libraries, employers, community centers and other entities interrelate in order to accomplish the caring community concept." This would require going beyond waivers and changing legislation to allow the needed collaboration among services. In the words of Oregon Progress Board Executive Director Duncan Wyse:

> From a state perspective, the current welfare system rewards failure. If we reduce the number of people receiving welfare by getting them jobs, we save the federal government a lot of money in reduced welfare payments. Our AFDC JOBS program is succeeding, it's great for the federal government and it's really great for children in poverty. But Oregon's $50 million for JOBS is not matched by the federal government and chokes the state budget. . . . Our proposal is very simple. As we cut welfare caseloads and reduce childhood poverty, we are asking the federal government to put part of the savings back into our JOBS program so we can continue to succeed.

The emphasis on permanent employment for those formerly dependent upon welfare fits with the overall concern of several benchmarks to increase the income of workers. The statewide goal is for Oregonians to earn 110 percent of the United States per capita personal income by 2010. To provide a balanced distribution of jobs and income, the benchmarks look at such indicators as the percentage of Oregonians with incomes above 100 and 125 percent of the federal poverty level and the percentage earning more than 150 percent of the federal poverty level. These benchmarks are in addition to those regarding "stable home life," such as pregnancy rates among young teenagers and poverty rates among young children.

As the new federal Temporary Assistance to Needy Families program (TANF) is implemented, Oregon will be the state to watch. Their AFDC waivers give them a head start on using innovative ways to channel welfare recipients into productive long-term employment. The successes—and problems—of Oregon over the next several years can help identify the strengths as well as flaws of this new federal law.

Waiver Worries

Because Oregon has been such a voracious consumer of federal waivers, the IEL Policy Exchange had its site visit participants look more closely

at the state's health, education and welfare waivers—with the goal of drawing larger lessons that would inform federal policy.

The major question underlying this discussion was: Are federal waivers a ***solution*** to inflexible federal provisions, or are waivers a ***symptom*** of larger problems that could, and should, be fixed for all states, rather than one-by-one through the waiver process?

After studying Oregon's waivers, site visit participants identified many benefits as well as limitations of federal waivers. Interestingly, while there was some consensus about the characteristics of waivers and the behaviors they produced, a perceived "benefit" to one participant was sometimes seen as a serious "limitation" by another.

Recognizing that the "benefits" and "limitations" categories are imperfect, what follows is a summary of points raised by participants during the site visit discussion.

Benefits of federal waivers include:

Encouraging innovations and experiments to do business differently—identifying better ways to meet local, state and national goals;

Providing concrete examples of how to improve programs and services;

Avoiding one-size-fits-all solutions, allowing states and communities flexibility to customize solutions, strategies and reforms that work for them;

Providing important opportunities for local, state and federal officials to talk with each other and perhaps even negotiate new and more productive relationships and results;

Saving money—eliminating red tape and doing more for less;

Providing a process to help citizens in states and localities build local consensus (or, in the half-in-jest words of one participant, to build self-esteem within a state by "outwitting the feds");

Providing a way for federal programs to respond quickly to changing values in society, rather than having to wait for the Congress to change laws; and

Exposing problems that require legislative changes—providing a catalyst for Congress to act.

Limitations of waivers from federal law, on the other hand, are significant. During the discussion, participants commented that waivers:

Do not provide permanent solutions—they either run out after a few years or require that states or localities re-apply in order to keep the waiver;

Help one state at a time, and often do not benefit other states or boost their capacity;

Are piecemeal, not systemic;

Let legislators (members of the U.S. Congress as well as state legislators) off the hook from fixing the statutory problems they created—shifting policy responsibilities that belong with the Congress to the Executive Branch;

Demean states, forcing them to beg for federal largesse or permission;

Shift responsibilities for evaluation from the state to the federal level;

Sometimes circumvent the intent of the law when, for example, "demonstration" waivers are used to get around clear provisions in the law, not for "demonstration" purposes at all; and

Sometimes penalize states who are successful.

Given these pros and cons, it is perhaps not surprising that Oregon's road to reform supports and services, so dependent on getting federal rules waived, has not been smooth. Some of the state's reforms lack broad public support, as illustrated by opposition to the education reforms by some religious fundamentalist groups. Advocacy groups do not believe low-income people understand the health reforms. And some tribal organizations fear that all of this change will result in reduced services to Native Americans living in rural areas.

As the federal government devolves more and more responsibilities for designing and implementing social programs to states and communities, it will be interesting to watch events unfold in Oregon. The state's admittedly rocky trail of increased flexibility coupled with more accountability for results is almost certain to provide insight into what works and what doesn't.

ENTER THE OREGON OPTION

The Oregon experience with benchmarks and waivers led to a federal-state-local partnership that has come to be called the Oregon Option. Sparked by a discussion about the Oregon benchmarks at a meeting of the board of directors of the Alliance for Redesigning Government, the Oregon Option became official in December 1994 with the signing of a formal Memorandum of Understanding where federal, state and local officials agreed to work together to meet common goals.

The Oregon Option is a special partnership and long-range effort to change the way state and local governments work with the federal government. Its purpose is to facilitate cooperation among the federal, state and local levels of government to design and test an outcomes-oriented approach to intergovernmental service delivery.

The Oregon Option is not a specific policy, program or set of services. Rather, it is an agreement to work together. As the Memorandum of Understanding states, under the Oregon Option, the federal government and Oregon agree to work together as partners to identify benchmarks, strategies, and measures that provide a framework for improved intergovernmental service delivery, and undertake efforts to identify and eliminate barriers to achieving program results.

What the Oregon Option Says

The Memorandum of Understanding for the Oregon Option sets out several principles to guide a re-design of relationships to produce a system that is results-driven. (See Appendix C for a copy of this memorandum.) The system is to be:

> Structured, managed and evaluated on the basis of *results* (i.e., progress in achieving benchmarks);

Oriented to customer needs and satisfaction, especially through integration of services;

Biased toward prevention rather than remediation of problems; and

Simplified and integrated as much as possible, delegating responsibilities for service design, delivery, and results to front-line, local-level providers, whether they are local agencies or local offices of state agencies.

After many meetings and discussions, those working on the Oregon Option decided to focus on three areas or "clusters"—healthy children, a high-quality workforce, and family stability or welfare.

"Our basic idea," says Oregon Progress Board Executive Director Duncan Wyse, "is to test a results-driven governance system. We have local, state, and federal partners sitting in a room and looking at the benchmarks and deciding what to do next."

The three cluster groups use various strategies. Those involved know some needed change requires changing the law, as has already happened in the welfare area. Sometimes change only requires that all parties understand the problem so that they can find solutions within current structures.

For example, the cluster on childhood health found that the immunization rate was low in large part because doctors found the vaccine distribution system too complicated. In order to maintain competition, two suppliers of vaccines had to be available, according to federal regulations. But the suppliers offered different doses of the vaccine, thus complicating the use for doctors. "We have been able to identify the problem and work on a solution," says Wyse.

To Learn More About the Oregon Option . . .

The Oregon Option is a work in progress. Since the 1995 site visit by the IEL Policy Exchange, the three cluster groups have all made progress, albeit not always linear progress.

Three major reports chronicle the efforts thus far of the Oregon Option, outlining lessons learned as well as raising questions that have no easy answers:

The Oregon Option: A Federal-State-Local Partnership for Better Results (by Christina H. Macy for the Annie E. Casey Foundation). This report covers the first full year of implementation of the Oregon Option, focusing on process and problems, areas of success and achievement, and lessons learned. *This report documents the hard work it takes to make a promising idea produce real results.*

The Oregon Option: Early Lessons from a Performance Partnership on Building Results-Driven Accountability (by Barbara Dyer for the Alliance for Redesigning Government). When she was Director of the Alliance for Redesigning Government, Barbara Dyer was an important catalyst for bringing the federal government together with Oregon officials to create the Oregon Option. This report shares her perspectives on how the process has evolved thus far. *This paper will help you put the Oregon Option in the context of long-term changes needed to make government at all levels more flexible and responsive.*

Towards Results-Oriented Intergovernmental Systems: An Historical Look at the Development of the Oregon Option Benchmarks (by Mark Popovich for the Alliance for Redesigning Government). Mark Popovich, working through the Alliance for Redesigning Government, did much of the important but often unsung work of making this unique federal-state-local partnership work—organizing countless intergovernmental meetings, developing materials, and making sure that promises were met and problems resolved sooner rather than later. His account reflects a deep understanding of the benchmarking process and the important details that often determine success or failure. *This report will help you appreciate the nitty gritty of both the process and content of the Oregon Option.*

If you want more information about the Oregon Option:

For ***The Oregon Option: A Federal-State-Local Partnership for Better Results***, contact the Annie E. Casey Foundation, 701 St. Paul Street, Baltimore, MD 21202 or call (410) 547-6600.

For either of the reports written for the Alliance for Redesigning Government, contact the Alliance at 1120 G Street, NW, Suite 850, Washington, DC 20005 or call (202) 347-3109.

The Alliance papers and ***The New Oregon Trail: Accountability for Results***, are also available on the Internet at http://aspe.os.dhhs.gov/

IMPLICATIONS FOR FEDERAL POLICY MAKING

In the volatile environment for policy making at the federal, state and local levels, the benchmarks and the Oregon Option have the potential to become a sensible way for multiple levels of government to work in partnership towards common ends. As a leader among the states, Oregon's efforts to tie all levels of government into a results-based system are worth watching and studying. Some states are beginning to adapt policies similar to Oregon's benchmark approach.

For the federal officials on the 1995 Policy Exchange site visit, there was an urgency to understand how—or if—the Oregon strategies could apply to sweeping proposals currently before Congress and state legislatures for changing the relationships between the federal, state and local levels.

Many questions, dilemmas and ideas were generated by the Policy Exchange visit. Among them:

How relevant are Oregon's strategies and experiences to policy making in our nation's capitol and among the states? Oregon has a fairly homogeneous population, a tradition of engaging stakeholders in public policy making, a reputation for good public management, and a vibrant economy. It was generally conceded during the Policy Exchange discussions that few other states have these same attributes.

Would Oregon's results-oriented approach work in a more diverse state with larger urban populations, high minority populations and larger pockets of poverty? Would these innovations work where the public was more cynical or in a state that had a history of scandal or public corruption? More basically, how could the federal government—through legislation or other policies—support states

ready to move towards results-driven government while acknowledging that many states are not yet ready?

How does policy making move from a system that sets rules at the top and monitors process to one that creates federal, state, and local partnerships that have common goals and measure mutually meaningful results? Granting waivers can be an interim step in this process, and the Oregon Option is an experiment to rework relationships and accountability in a more fundamental way.

What are the benefits and limitations of federal waivers and how can lessons learned from waivers be fed back into the policy pipeline? The increasing use of waivers indicates several things, among them a willingness of federal and state officials to experiment with different ways of conducting business and greater sophistication by states at how to work the federal system.

These and other questions will continue to arise in the coming months and years. Benchmarks are not perfect, but they are promising.

Reform efforts parallel each other in American society today, driven often by the same forces and incentives, such as limited resources and the need to be better competitors in the marketplace of ideas as well as products. Much has been written and attempted, for example, about higher standards and performance measures in education, basing distribution of resources on the results achieved by schools.

In some ways, Oregon is a laboratory that is applying performance and results-driven policy making to all aspects of public and private services and interests, not just education.

The state's strategies and experiences now need to be taken further, with its lessons learned informing policy in other states and Washington. Creating systems that are flexible enough to meet different needs and expectations, yet accountable enough to justify public expenditures, whether state or federal, will challenge everyone interested in having a government that works for people and communities.

APPENDIX A
SITE VISIT AGENDA

Wednesday, April 19, 1995

7:00 a.m. Participants meet at Washington National Airport

2:00 p.m. One-on-One Visits to Portland Families (and Debriefing)

7:00 p.m. Dinner with Members of the Oregon Progress Board and the Portland-Multnomah Progress Board

8:15 p.m. Oregon: The Players and the Context
The Honorable Beverly Stein
Chair of the Board of Commissioners of Multnomah County

The Honorable Randy Franke
Chair of the Board of Commissioners of Marion County *and*
President of the National Association of Counties

9:00 p.m. Free Time and Networking

Thursday, April 20, 1995

7:00 a.m. Breakfast and Networking

8:00 a.m. Understanding the Oregon Benchmarks
Duncan Wyse, Executive Director, Oregon Progress Board

11:00 a.m. Oregon's Health Care Reform
The Honorable John Kitzhaber, Governor

12:00 noon Lunch

1:00 p.m. Local Site Visits
Steps to Success at Mount Hood Community College

Multnomah County Southeast Health Clinic

School-to-Work Program, Partners in Vocational Opportunity Training (PIVOT)
Teen Parent Program

6:00 p.m. Dinner with Elected Officials

Friday, April 21, 1995

7:30 a.m. Breakfast and Networking

8:45 a.m. School Reform in Oregon
Norma Paulus, Superintendent, Oregon Department of Education

The Honorable Vera Katz, Mayor, City of Portland

Jack Bierwirth, Superintendent, Portland Public Schools

Joanne Flint, Assistant Superintendent, Oregon Department of Education

10:15 a.m. The Politics and Practice of the Oregon Commission on Children and Families
Lennie Bjornsen, Director, Clackamas County Commission on Children and Families

Sue Cameron, Director, Tillamook County Health Department

11:45 p.m. Lunch

12:15 p.m. Health Care Reform in Oregon
Mark Gibson, Policy Advisor to the Governor

Lynn Read, Project Manager for the Office of Medical Assistance Programs, Oregon Department of Human Resources

Ellen Pinney, Director of the Oregon Health Action Campaign

John Santa, Senior Vice President for Medical Affairs, Blue Cross Blue Shield of Oregon

Jeff Davis, Administrator, Marion County Heath Department

1:30 p.m. Solution or Symptom?—Learning Larger Lessons from Oregon's Many Waivers from Federal Statutes

6:00 p.m. "Take a Fed to Dinner"

Saturday, April 22, 1995

7:30 a.m. Breakfast and Networking

10:00 a.m. Brunch

10:30 a.m. Debriefing and Reflections: What Have We Learned? How Will We Incorporate This Learning into Our Work?

APPENDIX B
SITE VISIT PARTICIPANTS

Valerie Baldwin
Subcommittee on Housing and
Community Opportunity
Committee on Banking and Financial
Services
U.S. House of Representatives

Ira Barbell
Senior Program Assistant
Annie E. Casey Foundation

Karen Belding
Oregon Field Office
Senator Bob Packwood
U.S. Senate

Wendy Cramer
Professional Staff Member
Committee on Labor and Human
Resources
U.S. Senate

Barbara Dyer
Director
The Alliance for Redesigning
Government
National Academy of Public
Administration

Cynthia Fagnoni
Assistant Director
Income Security Issues
Health, Education and Human Services
Division
U.S. General Accounting Office

Michael E. Fishman
Acting Director
Office of Analysis and Evaluation
Food, Nutrition and Consumer Services
U.S. Department of Agriculture

Sue Hildick
Legislative Director
Office of Senator Mark Hatfield
U.S. Senate

John Kamensky
Deputy Project Director
National Performance Review
Office of the Vice President

Stephen Kohashi
Clerk
Subcommittee on VA, HUD, and
Independent Agencies
Committee on Appropriations
U.S. Senate

Darla J. Letourneau
Deputy Assistant Secretary
Office of Congressional and
Intergovernmental Affairs
Office of the Secretary
U.S. Department of Labor

Peter Martinez
Senior Program Officer
Chicago Education Initiative
The John D. and Catherine T.
MacArthur Foundation

Jennifer Miller
Planning Associate
Annie E. Casey Foundation

Linda Morra
Director
Education and Employment Issues
Health, Education and Human Services
Division
U.S. General Accounting Office

Carla Nuxoll
Secretary's Regional Representative
U.S. Department of Education

Mark Popovich
Coordinator
High Performance Project
The Alliance for Redesigning Government
National Academy of Public Administration

Elspeth Revere
Associate Director of the General Program
The John D. and Catherine T. MacArthur Foundation

Martha F. Riche
Director
Bureau of the Census
U.S. Department of Commerce

Jane Ross
Director of Income Security
Health, Education and Human Services Division
U.S. General Accounting Office
U.S. Congress

Ralph E. Smith
Chief
Employment and Income Security Unit
Congressional Budget Office
U.S. Congress

Donna Stark
Senior Program Assistant
Annie E. Casey Foundation

Michael Stephens
Minority Staff
Committee on Appropriations
U.S. House of Representatives

Michael Stoker
Counsel
Subcommittee on Government Management, Information and Technology
Committee on Government Reform and Oversight
U.S. House of Representatives

IEL Policy Exchange Staff
Margaret Dunkle
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IEL Policy Exchange
Institute for Educational Leadership

Jane Dewey
Program Associate

Scott Gates
Executive Assistant

Anne Lewis
Writer for the IEL Policy Exchange

APPENDIX C
THE OREGON OPTION MEMORANDUM OF UNDERSTANDING

Signed December 15, 1994

I. *Purpose*
The purpose of this Memorandum of Understanding is to encourage and facilitate cooperation among Federal, State and local entities to redesign and test an outcomes oriented approach to intergovernmental service delivery. This special partnership and long-range commitment will serve as demonstration of principles and practices which may serve as a model for improvements nationwide.

II. *Background*
In July 1994, Oregon proposed a multi-year demonstration with the Federal Government to redesign intergovernmental service delivery, structured and operated to achieve measurable results that will improve the lives of Oregonians.

Oregon is uniquely suited for an experimental demonstration to develop an outcomes oriented approach to intergovernmental services. The State and many local governments have begun using an outcomes model for establishing long-range vision, setting public priorities, allocating resources, designing services, and measuring results. The Oregon Legislature has endorsed the Oregon "Benchmarks." Further, many nonprofit organizations, businesses, and civic groups in Oregon are aligned to a benchmark process with State, county and local jurisdictions.

III. *Principles to guide cooperation*
The following principles should guide the parties' cooperation in this undertaking:

A re-designed system would be:

Structured, managed, and evaluated on the basis of <u>results</u> (i.e., progress in achieving benchmarks).

Oriented to customer needs and satisfaction, especially through integration of services.

Biased toward prevention rather than remediation of problems.

Simplified and integrated as much as possible, delegating responsibilities for service design, delivery, and results to front-line, local-level providers, whether they are local agencies or local offices of state agencies.

IV. *Responsibilities of the parties*

The parties to this memorandum will work together as partners to (1) identify benchmarks, strategies, and measures that provide a framework for improved intergovernmental service delivery and (2) undertake efforts to identify and eliminate barriers to achieving program results.

V. *Authorities*

The principles and responsibilities covered in this memorandum are intended to improve the coordinated delivery of intergovernmental programs. This memorandum does not commit any of the parties to a particular level of resources; nor is it intended to create any right or benefit or diminish any existing right or benefit, substantive or procedural, enforceable at law by a party against the United States, State of Oregon, any state or federal agency, any state or federal official, any party of this agreement, or any person. While significant changes to the intergovernmental service delivery system are anticipated as result of this effort, this is not a legally binding or enforceable agreement. Nothing in this memorandum alters the responsibilities of statutory authorities of the Federal agencies, or State or local governments.

Federal Partners

Al Gore, Vice President
Donna Shalala, Secretary of Health and Human Services
Henry G. Cisneros, Secretary of Housing and Urban Development
Lee P. Brown, Office of National Drug Control Policy
Robert Reich, Secretary of Labor
Richard W. Riley, Secretary of Education
Janet Reno, Attorney General
Mike Espy, Secretary of Agriculture
Ronald H. Brown, Secretary of Commerce
Alice Rivlin, Office of Management and Budget
Carol Rasco, Assistant to the President for Domestic Policy

State Partners

Barbara Roberts, Governor
John Kitzhaber, Governor-Elect

City and County Partners

Vera Katz, Mayor of Portland
Randall Franke, Marion County Commission on Children and Families
Charles Vars, Mayor of Corvalis
Gussie McRobert, Mayor of Gresham
Catherine Golden, Mayor of Ashland
Marion Rossi, Mayor of Independence
John Howard, Union County Commissioner
Steve Cornacchia, Lane County Commissioner
Beverly Stein, Multnomah County Commissioner and Chair of Board of Commissioners

Special Reports by the IEL Policy Exchange

Solving the Maze of Federal Programs for Children & Families: Perspectives from Key Congressional Staff, Special Report #1, 1993, $10

Linking Schools with Health & Social Services: Perspectives from Thomas Payzant on San Diego's New Beginnings, Special Report #2, 1994, $10

Who Controls Major Federal Programs for Children & Families: Rube Goldberg Revisited, Special Report #3, 1995, $20 (including two color posters)

A Primer on Program Rules for Five Major Federal Programs—AFDC, Food Stamps, Medicaid, Section 8 Housing and Public Housing, Special Report #4, 1995, $15

Workbook of Application Packets for San Diego Assistance Programs, Special Report #5, 1995, $40

The ABC's of the Federal Budget Debate, Special Report #6, 1996, $5

The New Oregon Trail: Accountability for Results, Special Report #7, 1996, $5

Steer, Row or Abandon Ship?, Special Report #8, 1996

Other Recent Publications by the IEL Policy Exchange

Simulation Hearing on Obtaining Federal and State Assistance (Transcript of a March 27, 1995 Congressional Hearing), 1995, $5

Comprehensive Strategies for Children and Families: Report on an October 4, 1994 Seminar (co-sponsored by the Domestic Policy Council of the White House and the IEL Policy Exchange), 1994, $10

Dollars and Sense: Diverse Perspectives on Block Grants and the Personal Responsibility Act (produced cooperatively by the IEL Policy Exchange, the American Youth Policy Forum and the Finance Project), 1995, $5

Flexibility in Federal Education Programs: A Guide Book for Community Innovation, Special Report #8, 1996

These and other IEL publications are available from the Institute for Educational Leadership, 1001 Connecticut Avenue, NW, Suite 310, Washington, DC 20036, (202) 822-8405, Fax (202) 872-4050, E-mail iel@iel.org, Internet http://www.iel.org. There is no charge for shipping and handling on prepaid orders; for billed orders, the shipping and handling charges are $2 for the first book and $1 for each additional book.

The IEL Policy Exchange

**Collaboration is like dancing with an octopus,
with each agency or organization a "tentacle."**

The Institute for Educational Leadership is a nonprofit organization
that supports policies, programs and practices
to improve society by strengthening educational opportunities
for children and youth.

The IEL Policy Exchange promotes policies, programs and practices
that foster effective and collaborative initiatives
on issues affecting children, families and communities
through seminars and site visits,
research, publications and other activities.

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